

Feature Article:

Trends in Defense Employment , 1995 - 2005

by James P. Wilson, Senior Economist

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Vol. 38, No. 2

Virginia Economic Indicators

Second Quarter Data,
Third Quarter Preliminary Analysis,
and Latest 2006-2007 Projections



Virginia Employment Commission • Economic Information Services Division

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Third Quarter Preliminary Analysis,
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Foreword

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001, 2002, 2003, 2004, 2005, and 2006 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are

missing from revised 2001, 2002, 2003, 2004, 2005, and 2006 data.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

Please address your comments to:

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Highlights - The U.S. and Virginia Economies

Mid-summer benchmark revisions by the U.S. Department of Commerce revealed the nation's economy grew at an average 3.2 percent rate in 2005 versus the 3.5 percent originally estimated as hurricanes and energy prices took a greater toll last year than first was thought. First Quarter 2006 saw exuberant 5.6 percent growth in the economy as consumers had "one last fling" before rising interest rates and fuel prices curtailed growth to only 2.6 percent for Second Quarter 2006. By second quarter, housing affordability had escaped the average consumer, and \$3.00 per gallon gasoline sharply reduced light vehicle sales and curtailed other purchases. The anticipated rise in business spending did not materialize, and federal spending actually dropped. For all of 2006, economic growth should average 3.3 percent, largely as a result of the first quarter's strength; but sub-par growth in the 2 percent range should prevail for the next 6 quarters. The U.S. economy is expected to settle to a 2.5 percent growth "soft landing" in 2007 although a *recession is not expected*. Current conditions will cause the traditional methods of stimulating the economy—monetary policy and fiscal policy—to sit on the sidelines while inflation and the deficit are brought more under control. The pace of economic growth should pick up for 2008 and beyond.

Virginia also saw some signs of slowing growth in the second quarter, but April saw nonfarm employment reach a new seasonally adjusted high of 3,723,400 and taxable retail sales hit a record \$8,759 million. Third quarter saw fewer plant

vacation furloughs than usual, and the first-ever sales tax holiday for back-to-school shopping appeared a success. Commercial construction activity was ramping up as residential construction slowed slightly.

Virginia created jobs at a 1.7 percent annual rate in the second quarter, faster than the nation's 1.4 percent rate of job gain. Virginia's 3.1 percent seasonally adjusted average second quarter unemployment rate ranked it third-best in the nation behind only Hawaii and South Dakota. The three-biggest metro areas—Northern Virginia, Virginia Beach-Norfolk-Newport News, Virginia/North Carolina, and Richmond—consistently ranked among the eight-best unemployment areas of the nation's 50-largest areas. Charlottesville, Harrisonburg, and Winchester, Virginia/West Virginia consistently ranked among the 14-best of the nation's 367 metropolitan areas on unemployment.

Jamestown celebration activities coupled with continued technology and health care growth may cause Virginia to have less of a "soft landing" (or slowdown) in 2007 than the nation as a whole.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 202.3 (1982-84 = 100) in Second Quarter 2006. This average was 1.7 percent higher than the 198.9 First Quarter 2006 average. The second quarter average spiked up to 4.0 percent above the Second Quarter 2005 average of 194.5 as a result of higher energy prices and mortgage rates.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, productivity in the nonfarm

business sector grew at a 1.6 percent annual rate in Second Quarter 2006, reflecting increases of 3.1 percent in output and 1.5 percent in the hours of all production workers. In First Quarter 2006, productivity gained 4.3 percent, output increased 6.7 percent, and hours grew 2.3 percent. Hourly compensation rose 6.6 percent in Second Quarter 2006, following a 13.7 percent advance in the first quarter. When the rise in consumer prices was taken into account, real hourly compensation rose 1.6 percent in Second Quarter 2006. Unit labor costs increased 4.9 percent in Second Quarter 2006, somewhat less than the 9.0 percent increase posted in the first quarter of the year. The implicit price deflator for nonfarm business output increased 3.4 percent in Second Quarter 2006 and 2.9 percent one quarter earlier.

Both the nation and Virginia saw slower growth in the second quarter, but Virginia still outperforms the nation. These trends are expected to continue.

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's coal production in the first six months of 2006, at 15,716,000 short tons mined, was 10.3 percent greater than the 14,251,000 short tons mined in the first half of 2005.

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William F. Mezger
Chief Economist
Virginia Employment Commission



U.S. Economic Outlook

Forecast Update—Second Quarter Data, Third Quarter Preliminary Analysis, and Latest 2006-2007 Projections

William F. Mezger

Chief Economist

The U.S. Department of Commerce revised the Gross Domestic Product (GDP) numbers for 2005 in July, as it does annually, after all the contributing agencies have updated their information to the latest benchmarks. (GDP is the sum of all the goods and services produced in the U.S. and is the key measure of economic gain or loss.)

After an exuberant first quarter, higher interest rates and fuel prices were causing the economy to slow by second quarter.

The Commerce Department's latest revisions reveal GDP in the U.S. grew at an annual rate of 3.2 percent in 2005, a little slower than the pre-revision estimated annual rate of 3.5 percent.

The Gulf Coast hurricanes and energy price spikes had taken more of a toll on the 2005 economy than was originally thought.

The First Quarter 2006 with 5.6 percent GDP gain was as exuberant as Fourth Quarter 2005 had been lackluster as consumers, having "one last fling" before rising interest rates and fuel prices forced them to curtail spending, pushed housing starts to an annual rate of 2.1 million units and vehicle sales to an annual rate of 16.9 million units. Business spending and federal government spending, with annualized gains of 13.7 percent and 8.8 percent, respectively, were also strong.

Second Quarter 2006 GDP growth, at 2.6 percent, was less

than one-half of the rate of the first quarter's gain as:

- ◆ New home starts fell from the first quarter's 2.1 million units to 1.9 million units (both annualized rates) in the second quarter; and existing home sales plummeted from the first quarter's 6.8 million units to 6.6 million units (both annualized rates) as previous home price rises and higher mortgage rates made housing unaffordable in many major markets (especially in the west).
- ◆ \$3.00 per gallon gasoline dropped light vehicle sales from 16.9 million units to 16.3 million units (both annualized rates) as fuel-inefficient sport utility vehicles and light trucks became almost unsaleable on dealers' lots in spite of ramped up rebates and incentives.
- ◆ As a result of the collapse of the housing and vehicle markets and energy prices curtailing other purchases, the annualized consumer spending growth rate fell from 4.8 percent in the first quarter to 2.6 percent in the second quarter.
- ◆ Business spending, which had been supposed to take over when consumer spending slowed, also slowed

from annualized growth rates of 13.7 percent in the first quarter to 4.4 percent in the second quarter as businessmen paused to see which way the economy was heading.

- ◆ Federal government spending, which had been at an 8.8 percent annualized growth rate in the first quarter because of Gulf Coast hurricane recovery efforts and the launch of the new drug program for seniors, actually went negative by 4.5 percent in the second quarter as federal agencies were forced to rein in expenses to conform to much tighter budget appropriations.

While a couple of bright spots have emerged in the economy in the third quarter (the Federal Reserve left the Fed Funds rate at 5.25 percent at its August and September open market committee meetings—after increasing from 1.00 percent in June 2004 to 5.25 percent in June 2006—and gasoline prices have fallen about \$.90 per gallon [as we go to press] since their July peak); it now looks like sub-par GDP growth in the 2 percent range for about the next 6 quarters. GDP growth in the U.S. economy has averaged 3.0 percent for the last two decades even with recessions in 1991 and 2001. The forecast as reflected in the following table is for the U.S. economy to achieve a "soft landing" in 2007.

U.S. Forecast		Percent (except as noted)	
		Projected	
	2005	2006	2007
Real GDP	3.2	3.3	2.5
Consumer Spending (Real)	3.5	3.2	2.5
Business Investment (Real)	6.8	8.2	6.3
Federal Government Spending (Real)	1.5	2.2	0.8
Housing Starts (Million Units)	2.1	1.9	1.6
Existing Home Sales (Million Units)	7.1	6.4	5.5
Light Vehicle Sales (Million Units)	17.0	16.5	16.3
Nonagricultural Employment	1.5	1.4	1.1
Unemployment Rate (Levels)	5.1	4.7	5.0
Consumer Price Inflation	3.4	3.5	2.7
Oil Prices (\$ per barrel)	\$57	\$67	\$66

The baseline forecast probability is 55 percent.

The economy is still expected to average 3.3 percent GDP growth in 2006, largely thanks to such a strong first quarter.

The traditional means (Monetary Policy and Fiscal Policy) to stimulate faster growth in the economy cannot readily be used under current conditions:

- ◆ Monetary Policy—as a result of strong economic growth in the 2004 to 2006 period and the very low interest rates, inflation has increased from 1.6 percent in 2002 to 3.5 percent in 2006. The Federal Reserve has now shifted from boosting the economy to what it considers its *primary purpose*—to guard against too high a rate of inflation. The Federal Reserve prefers an inflation rate of 2.0 percent, or less, but will tolerate 2.0 to 3.0 percent inflation for a time. The Federal Reserve is expected to manipulate the Fed Funds rate in the 4.50 to 5.50 percent range, which it now considers its “comfort zone,” for the next 18 months, but it will raise the Fed Funds rate

above 5.50 percent, if it feels that is necessary to conquer inflation.

- ◆ Fiscal Policy—The income tax cuts passed in the 2003 Income Tax Reform Act also stimulated the economy in the 2004 to 2006 period, as they were designed to do, but as a bi-product of the federal government spending more money than it has taken in in revenue, the U.S. government has gone from

a \$237 billion surplus in 2000 to a \$319 billion deficit in 2005 (the federal deficit is currently slightly below the 2005 level because of temporary revenue sources, but it is expected to shortly resume increasing again). Adding to the federal deficit have been the continuing wars in Afghanistan and Iraq and disaster relief from the horrible storms in 2004 and 2005. The mounting federal deficit precludes



further significant tax cuts to stimulate the economy, and the government will use bracket creep, the alternative minimum tax, and more user fees to help raise revenue. Some financial experts say to make the federal government financially sound, that revenues ought to be raised back to about 8 percent of GDP from the current 6 to 7 percent (post 2003 tax cut) ratios of revenues to GDP.

The forecast is for below-trendline, mid-2 percent, growth for 2007 as inflation is brought under control.

The above states why monetary and fiscal policies cannot be expected to provide major stimuli to the economy in the immediate future and a "soft economic landing" is anticipated in 2007. The forecast is for below-average growth in the national numbers for 2007, but the baseline forecast *does not* in any way project a *recession*. Actually, the numbers for vehicle and housing sales are not too bad in comparison to most previous periods, and the projected 5.0 percent unemployment rate is right at the level generally considered to be "full employment." There is historic precedent for a slower economy in the "seven" year of the decade as witnessed by the 1957-58 recession (that sunk the Edsel automobile which was launched

just as this recession started), one quarter of negative growth in 1967 because of the Vietnam war spending policies, the 1987 trade slowdown because of a high dollar curtailing U.S. exports, and the 1997 Asian economic collapse that the Federal Reserve prevented from reaching the U.S. by lowering the Fed Funds rate. The economy is expected to bounce back to above the 3.0 percent growth trendline in 2008 and 2009 as inflation is brought under control just as 1988-89 and 1998-99 were the best years of their respective decades.

Although oil prices have moderated considerably in August and September because of a greater supply, no storm disruptions this year, and a momentary calm in the Mid-East, the projection still is for mid-\$60 per barrel oil for 2007.

The baseline forecast probability is 55 percent.



Alternate Scenarios

- ◆ Technology factors accelerate productivity and growth; and inflation and budget deficits are lower, thus growth remains just above the 3.0 percent growth trendline for 2007 (probability 20 percent).
- ◆ Inflation proves more difficult to control than in the baseline, and the Federal Reserve has to increase the Fed Funds rate to over 7.00 percent for 2007. As a result, growth slows almost to zero in 2007, before starting to recover in 2008; but the economy still narrowly misses a recession (probability 25 percent).

September 29, 2006





Virginia Indicators

Second Quarter 2006 Data, a First Look at Third Quarter, and Area Analysis

William F. Mezger

Chief Economist

The Second Quarter 2006 Virginia economy actually recorded some fairly good numbers, but there were also signs of a slowdown from the first quarter's rapid pace. The higher interest rates and rising fuel prices had some impact and the seasonal adjustment factors always have a tough time adjusting for the Easter holiday, which falls in March in some years and in April in other years. The Virginia indicator series turned in the following second quarter performance:

- April saw only three series up, four unchanged, and seven down.
- May had six series up, four unchanged, and four down.
- June had eight series up, two unchanged, and four negative for the best showing of the quarter.

Although April's performance was not up to that of the other two months (probably because of overadjustment for the Easter holiday that was in April in 2006), April saw the only two records set this quarter—nonagricultural employment reached an all-time high of 3,723,400 and taxable retail sales hit \$8,759 million.

The six-month moving average of rising indicators on page 17 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

Preliminary data for the third quarter looks good with the summer plant vacation furloughs running 8 percent lighter than in the similar 2005 vacation period, and Virginia's first-ever sales tax holiday for back-to-school shopping, the first weekend in August, appearing to stimulate retail sales. The construction industry saw July and August levels for residential construction down slightly from June, but commercial construction is still going very strong with many projects that will take years to complete.

Around the State

Virginia saw average annual job growth in Second Quarter 2006 at a rate of 1.7 percent, which was slower than the first quarter Virginia job gain rate of 2.2 percent, but still faster than the U.S. second quarter job addition rate average of 1.4 percent. Virginia averaged a 3.1 percent unemployment rate for the Second Quarter 2006 and ranked third-lowest in the U.S. behind Hawaii and South Dakota. Virginia with 3.0 percent unemployment in the first quarter had ranked the second-lowest state. Even though the unemployment rates used in the national state comparisons are seasonally adjusted, Virginia does not show up quite as well in the summer months because Virginia has a proportionately much larger student population, which seeks summer employment, than do some of the other very low-unemployment states.

In the second quarter, six of Virginia's ten metropolitan areas—Northern Virginia, Charlottesville, Winchester, Virginia/West Virginia, Blacksburg-Christiansburg-Radford, Roanoke, and Lynchburg—grew faster than the 1.7 percent Virginia rate of job gain; and Virginia Beach-Norfolk-Newport News, Virginia/North Carolina also grew faster than the 1.4 percent U.S. rate of job gain. The three-biggest metropolitan areas—Northern Virginia, Virginia Beach-Norfolk-Newport News, Virginia/North Carolina, and Richmond—consistently ranked among the eight-best unemployment areas of the nation's 50 areas with over one-million population in the second quarter. Charlottesville, Harrisonburg, and Winchester, Virginia/West Virginia consistently ranked among the 14 best of the nation's 367 metropolitan areas on unemployment. In May, Charlottesville ranked second-best of all U.S. areas, and by July, Richmond was second-best among the 50-largest areas.

- ◆ **Northern Virginia**, with 3.2 percent average job gain, added 40,500 jobs on an annual basis and in the second quarter was responsible for almost two-

Second Quarter 2006 recorded some good numbers in Virginia, but there were signs of slowing from the first quarter.



thirds of Virginia's job growth. This region's large high-skill, high-wage professional and business services sector was growing at over a 6.0 percent rate, or 21,000 jobs, annually and is where many new college graduates from Virginia and elsewhere are finding employment. Also, still booming in this area were trade, commercial construction, health care, and leisure and hospitality. Northern Virginia averaged a 2.3 percent unemployment rate in the second quarter—which, if Northern Virginia were treated as a separate metropolitan area in the national statistics, rather than as part of the larger Washington-Arlington-Alexandria, DC-VA-MD-WV metropolitan area, would give it just about the nation's lowest unemployment rate. Northern Virginia continues in both quality and quantity of jobs available to be about the world's-best job market.

- ◆ **Charlottesville**, also with a 3.2 percent average job growth rate in the second quarter, in many ways, on a much smaller scale, rivals Northern Virginia. Charlottesville, with only a 2.5 percent average second

quarter unemployment rate, is one of the nation's best smaller job markets and was number two in the national metropolitan area unemployment rankings in May 2006. As usual, the large University of Virginia and the university hospital and all of the professional and support industries that go along with these institutions are this area's driving economic force.

- ◆ **Winchester, Virginia/West Virginia** added jobs at a 3.0 percent average rate in the second quarter and had only a 2.6 percent unemployment rate average. Job growth is led by the service-providing industries, which have now taken on a character similar to those same industries in its large and prosperous neighbor to the east—Northern Virginia. Also, many Winchester area residents work in Northern Virginia's outer fringes. This area is usually among the nation's dozen-best labor markets and usually makes an even stronger showing in the warm weather months.
- ◆ **Blacksburg-Christiansburg-Radford** also averaged 3.0 percent job growth in the second quarter, very

good for an area with 19 percent of its employment base in manufacturing. This area receives much of its momentum from the large Virginia Tech-Radford state university complex and the technology industries that have located nearby. Second quarter saw a 3.2 percent unemployment average, not bad when the factory and youth population factors are considered.

- ◆ The **Roanoke** area grew at a 2.4 percent average rate of job gain in the second quarter with, as usual, private education and health care, professional and business services, and trade and transportation—the functions Roanoke has traditionally provided for the rest of Southwest Virginia—being the growth leaders. Construction, finance, and manufacturing also are seeing some increase. Unemployment was holding steady at 3.1 percent.
- ◆ The **Lynchburg** area added jobs at a 2.1 percent average rate this quarter. The private colleges and their accompanying support services and an expanding professional/business services sector currently seem to be the driving forces in the Lynchburg area. Unemployment was down to a 3.2 percent second quarter average, but there is some threat of nearby textile closings.
- ◆ **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** saw 1.6 percent second quarter average job growth. Construction seems to boom

with 7 percent growth as preparations for the 2007 Jamestown anniversary celebration continue. The important leisure and hospitality industry had a good summer in spite of high fuel prices, and Jamestown activities are now close at hand. Growth has plateaued at military and defense-related industries and federal agencies are under end-of-the-fiscal-year budget restraints. The area remains a major supplier to the on-going war efforts. Unemployment has averaged 3.5 percent this quarter—good enough to make Hampton Roads the eighth-best out of the nation's 50-largest metropolitan areas.

Please see this issue's feature article, "Trends in Defense Employment 1995-2005," which is our annual article on defense employment, using just-published data from the U.S. Department of Defense. Defense is a key part of the economies in Virginia's largest metropolitan areas.

Vehicle assembly layoffs scheduled for fall 2006 could produce an increase in the jobless figures.

- ◆ The **Richmond** area experienced 1.2 percent average job growth in the second quarter. Private education and health care with 5 percent annual growth in the second quarter showed the most gain. Professional and business services are adding workers and Richmond's airport with new cut-rate carriers is seeing growth. Construction projects seem to be



winding down. Government employment has had budget issues and the state has been transferring its information technology function to a private contractor. Richmond continues to lose factory jobs at a 2 percent annual rate. Second quarter unemployment averaged 3.2 percent—good enough to rank Richmond in the half-dozen-best large areas for the quarter. By July, Richmond had the second-best large area unemployment ranking.

- ◆ The **Harrisonburg** area gained jobs at a 0.7 percent second quarter average rate with the James Madison University complex and the support industries providing the growth. Factory losses still hold back job growth. Unemployment remains low, averaging 2.7 percent this quarter, putting Harrisonburg in the dozen-best of all U.S. areas.
- ◆ The **Danville** area experienced an average rate of job loss of 4.0 percent

in the second quarter as a result of the closing of the historic Dan River Mills plant at the end of the first quarter. Employment in the service-providing industries remains slightly positive. The unemployment rate in the area averaged 8.1 percent in the second quarter, but at least did not go double-digit as had been projected. Fall textile layoffs in the upper end of Pittsylvania County are now a concern.

- ◆ The **Martinsville** micropolitan area continues to see a gradual drop in joblessness except for temporary summer furloughs.

For the immediate future, it is expected that trends already present in the metropolitan areas will continue. Charlottesville, Northern Virginia, Winchester, and Blacksburg-Christiansburg-Radford should see the fastest job growth with the large Northern Virginia area still adding the largest total number of new jobs. The Jamestown celebration should give a big boost to tourism throughout



the state, but the Virginia Beach-Norfolk-Newport News, Virginia/North Carolina and Richmond areas should benefit the most from these activities. Technology advancements will be most pronounced in the largest areas; and Richmond, Charlottesville, and Roanoke, especially, should benefit from health care gains. Danville and other Southside areas need to recover from plant closings. Virginia and many of its metropolitan areas are expected to continue to have some of the lowest unemployment rates in the nation. Vehicle-related temporary furloughs may keep Virginia unemployment rates from dropping much lower in the final months of 2006. The reduced growth trend, or the "soft landing," expected for the nation in 2007 may have less impact on Virginia because of all the Jamestown-related activities.

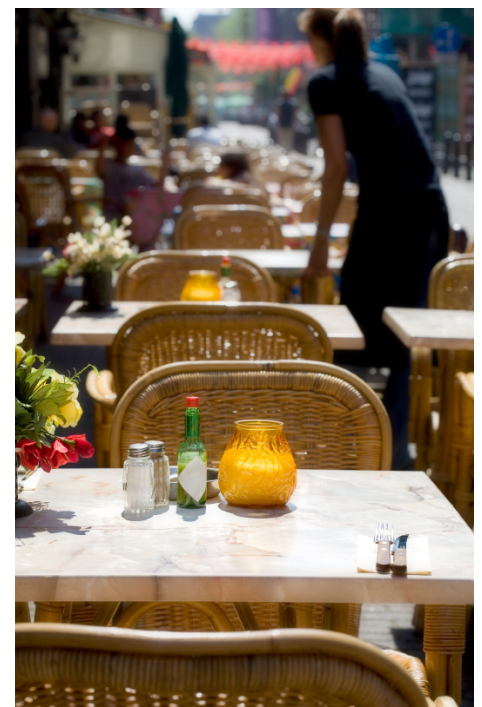
Although Less Exuberant than the First Quarter, the Second Quarter Saw Record Nonfarm Employment and Taxable Retail Sales.

Nonagricultural wage and salary employment saw relatively little movement in Second Quarter 2006

with a gain of 2,100 to a new high of 3,723,400 in April, a decrease of 3,100 in May, and a 2,700 increase in June, which left it 400 shy of April's record level. None of this movement was anywhere near the 18,000 jobs, or 0.5 percent, needed to register change on our tables on pages 16-17. Factory employment rose 1,600 from March to 298,600 in April (which was enough to register positive change on our tables), added another 400 to 299,000 in May, but then decreased 1,400 to 297,600 in June, (both May and June were no changes on the tables).

The four unemployment-related series were mixed in April, three-out-of-four negative in May, and three-out-of-four positive in June. The total unemployment rate shot up to 3.3 percent in April from 3.1 percent in March as a result of furloughs around the Easter holiday (Easter is the holiday that is difficult for the seasonal adjustment factors to handle because it can occur in both March and April) and the final closeout of Dan River Mills. The total unemployment rate fell back to 3.0 percent in May, the five-year low level it had been in January and February, primarily because one-week-later college commencements

this year kept many young people out of the labor force past the May statistical reference week. The June total unemployment rate was back up to 3.1 percent as both college and high school youth were out in full force, although this year turned out to be the best summer job market in six years. Initial claims for unemployment benefits fell from 4,899 in March to a very low level of 4,432 in April, then were up to 5,035 in May because of temporary layoffs in vehicles and vehicle components. June's initial claims were back down to 4,545. The insured unemployment rate (the ratio of claimants to those eligible to draw benefits) rose from an over five-year low of 0.79 percent in March to 0.86 percent in April and 0.87 percent in May with the vehicle and textile industries being the major sources of more joblessness. The insured unemployment rate was back down to 0.80 percent by June. Final payments for unemployment insurance, which, to some extent, reflect layoffs 6 months previous, rose a little from a low 2,746 in March to 2,757 in April, rose more to 3,461 in May, but then receded to 2,617 in June, a five-year low.



The four production worker hours and earnings series were neutral to negative in April, neutral to positive in May, and all positive in June, although no new records were set this quarter. The production workweek was off a little in April to 40.9 hours from 41.0 hours in March, but then climbed back to 41.1 hours in May and 41.4 hours in June. Production hours worked rose a little each month of the quarter, going from 9,456,000 in March to 9,598,000 by June. The hourly average production earnings trailed off from \$16.79 in March to \$16.62 in April, but then trended up to \$16.65 in May and were back to \$16.79 by June. The average weekly production wage was off from \$690.31 in March to \$677.68 in April, then increased to \$681.99 in May and \$691.72 in June.

The four business-related series, as usual, tended to be somewhat volatile, being mostly negative in April, mostly positive in May, and mostly negative again in June. Rising interest rates and fuel prices caused affordability issues for both houses and vehicles. A slackening demand caused housing starts to go from 3,981 in March to 3,162 in June, but there was a slight reversal from 3,494 in April to 3,574 in May. New vehicle



registrations also trended down from March to April, going from 45,798 to 42,245, as fuel prices spiraled up. May registrations were better, at 47,532, as vehicle manufacturers again pushed rebates and incentives, but sales still softened to 44,905 for June. New business incorporations slid to 1,317 in April from 1,821 in March, but then were better at 1,802 in May and 1,733 in June. After a record \$8,637 million in March, taxable retail sales set another record of \$8,759 million in April and then were a not bad \$8,695 million in May and almost a record \$8,753 in June. The high fuel prices did not seem to be all that much of a drag on Virginia retail sales.

Virginia saw 1.7 percent job growth in the second quarter, which was faster than the 1.4 percent U.S. job growth rate. Unemployment averaged 3.1 percent to give Virginia the third-best rate of any state. Northern Virginia, Charlottesville, and Richmond were among the best U.S. job markets.



Employment Indicators

January 2005 to June 2006

	Nonagricultural Wage and Salary Employment* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,573.4	3,630.4	297.1	298.3	3.8	3.4
February	3,588.8	3,642.3	296.9	298.2	3.8	3.3
March	3,614.4	3,639.5	296.8	297.6	3.6	3.4
April	3,651.6	3,657.1	296.7	297.7	3.4	3.5
May	3,672.0	3,656.6	296.6	297.5	3.5	3.5
June	3,701.8	3,660.8	297.3	296.6	3.7	3.6
July	3,666.2	3,671.7	294.7	296.7	3.5	3.5
August	3,669.7	3,678.2	296.5	296.0	3.5	3.6
September	3,701.1	3,691.1	295.8	294.8	3.5	3.6
October	3,725.1	3,707.3	296.0	295.1	3.1	3.5
November	3,732.4	3,700.6	296.2	294.6	3.2	3.4
December	3,722.3	3,687.3	296.2	294.6	3.0	3.3
2006						
January	3,658.5	3,716.9	294.5	295.7	3.3	3.0
February	3,664.0	3,718.7	294.3	295.6	3.3	3.0
March	3,695.6	3,721.3	296.2	297.0	3.2	3.1
April	3,717.8	3,723.4	297.6	298.6	3.1	3.3
May	3,735.9	3,720.3	298.1	299.0	2.9	3.0
June	3,764.7	3,723.0	298.3	297.6	3.3	3.1

* These series have been adjusted to First Quarter 2005 benchmarks.

Unemployment Insurance Indicators

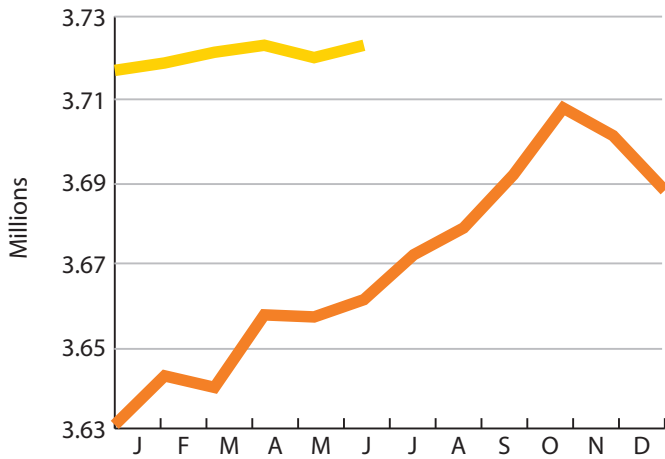
January 2005 to June 2006

	Average Weekly Initial Claims		Insured Unemployment Rate (Percent)		Unemployment Insurance Final Payments	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,736	5,413	1.25	1.04	3,350	3,443
February	5,031	5,182	1.13	0.97	3,172	3,468
March	4,853	5,516	1.02	0.93	4,283	3,796
April	4,243	5,140	0.88	0.91	3,588	3,131
May	4,235	5,215	0.94	0.98	3,258	3,224
June	4,668	5,011	0.87	0.89	3,936	3,546
July	5,834	5,283	0.93	0.95	3,101	2,870
August	3,942	4,863	0.85	0.94	3,620	3,448
September	4,147	4,747	0.76	0.88	2,670	3,113
October	4,054	4,566	0.82	0.94	2,493	2,810
November	4,541	4,693	0.84	0.88	2,953	3,208
December	6,453	4,293	0.91	0.85	2,659	2,869
2006						
January	7,387	5,168	1.16	0.97	3,288	3,380
February	4,521	4,657	1.00	0.86	2,873	3,141
March	4,310	4,899	0.87	0.79	3,099	2,746
April	3,658	4,432	0.83	0.86	3,159	2,757
May	4,089	5,035	0.83	0.87	3,497	3,461
June	4,234	4,545	0.78	0.80	2,905	2,617

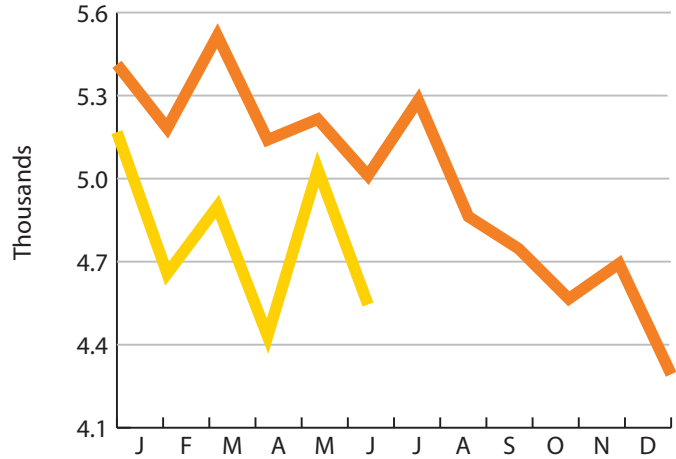
Employment Indicators

January 2005 to June 2006

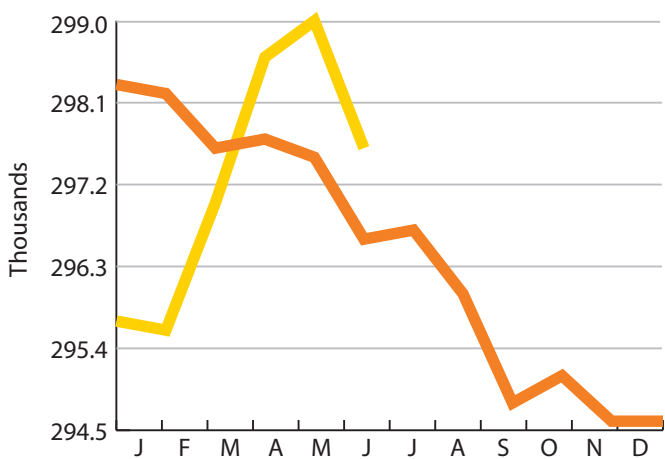
Nonagricultural Wage and Salary Employment



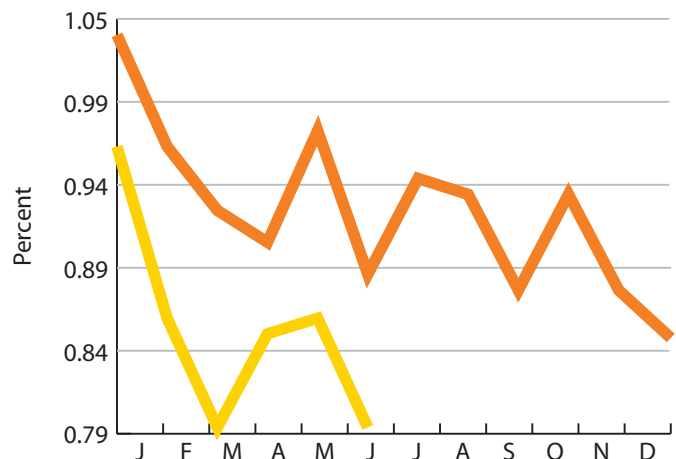
Average Weekly Initial Claims



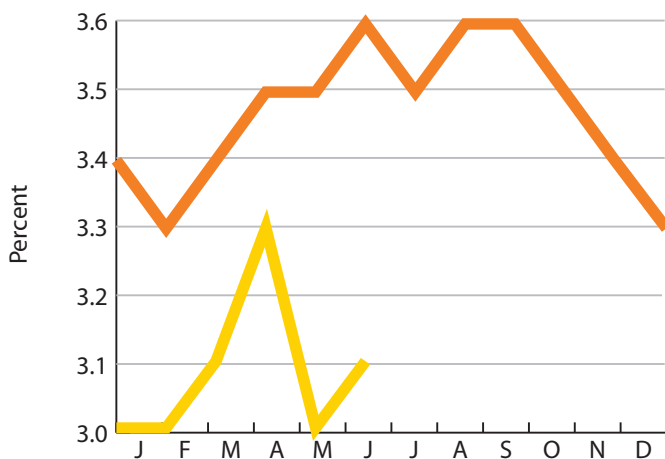
Manufacturing Employment



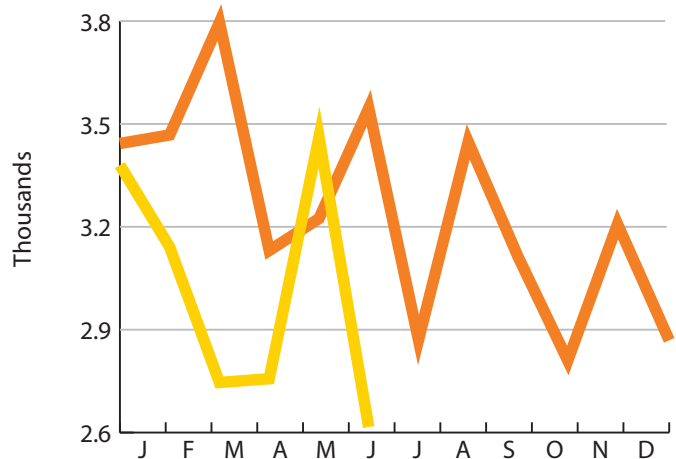
Insured Unemployment Rate



Total Unemployment Rate



Unemployment Insurance Final Payments



2005 2006

Manufacturing Production Worker Indicators

January 2005 to June 2006

	Average Weekly Hours*		Average Hourly Earnings*		Deflated Average Hourly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
2005						
January	41.6	41.6	16.27	16.22	8.73	8.67
February	41.7	41.8	16.29	16.36	8.70	8.71
March	40.8	41.0	16.19	16.25	8.58	8.64
April	41.5	41.9	16.40	16.34	8.62	8.64
May	41.3	41.0	16.29	16.33	8.57	8.61
June	41.3	40.9	16.35	16.36	8.60	8.62
July	40.3	41.1	16.48	16.55	8.63	8.68
August	40.4	40.5	16.42	16.54	8.55	8.59
September	42.3	42.6	16.53	16.50	8.48	8.49
October	41.8	41.5	16.45	16.47	8.43	8.45
November	41.3	41.0	16.44	16.44	8.50	8.48
December	42.1	41.5	16.64	16.42	8.64	8.47
2006						
January	41.7	41.7	16.50	16.45	8.51	8.44
February	40.9	41.0	16.70	16.77	8.60	8.61
March	40.8	41.0	16.73	16.79	8.57	8.62
April	40.6	40.9	16.68	16.62	8.46	8.48
May	41.4	41.1	16.61	16.65	8.38	8.41
June	41.8	41.4	16.78	16.79	8.45	8.47

Manufacturing Production Worker Indicators (continued)

January 2005 to June 2006

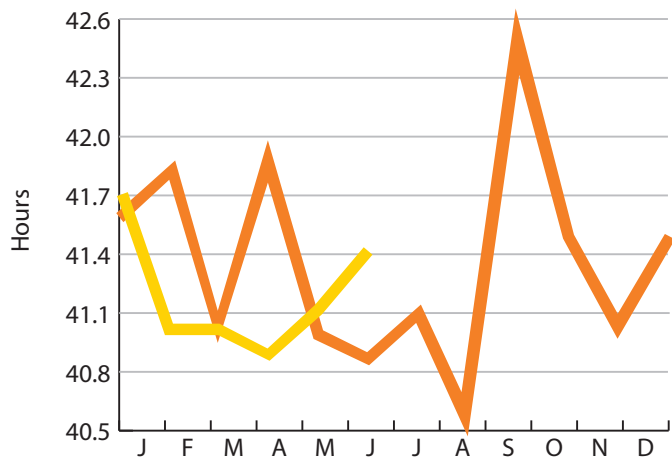
	Total Production Hours* (Thousands)		Average Weekly Earnings*		Deflated Average Weekly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
2005						
January	9,518	9,549	676.83	674.47	363.30	360.24
February	9,541	9,598	679.29	688.45	362.67	367.49
March	9,343	9,411	660.55	668.03	350.24	353.42
April	9,474	9,560	680.60	681.08	357.83	359.60
May	9,449	9,405	672.78	667.24	354.09	352.19
June	9,466	9,369	675.26	665.94	355.21	351.24
July	9,136	9,413	664.14	678.66	347.72	355.18
August	9,227	9,272	663.37	674.23	345.33	350.58
September	9,653	9,633	699.22	704.15	358.57	362.01
October	9,555	9,482	687.61	685.21	352.26	351.63
November	9,449	9,348	678.97	672.05	351.07	348.42
December	9,641	9,444	700.54	681.06	363.92	351.14
2006						
January	9,516	9,546	688.05	685.65	354.66	351.68
February	9,342	9,397	683.03	692.24	351.71	356.38
March	9,388	9,456	682.58	690.31	349.50	352.68
April	9,399	9,483	677.21	677.68	343.41	345.10
May	9,592	9,548	687.65	681.99	346.95	345.08
June	9,698	9,598	701.40	691.72	353.17	349.23

* These series have been adjusted to First Quarter 2005 benchmarks.

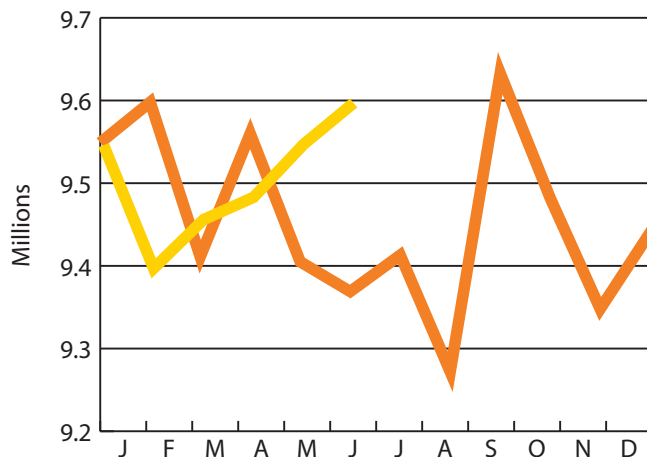
Manufacturing Production Worker Indicators

January 2005 to June 2006

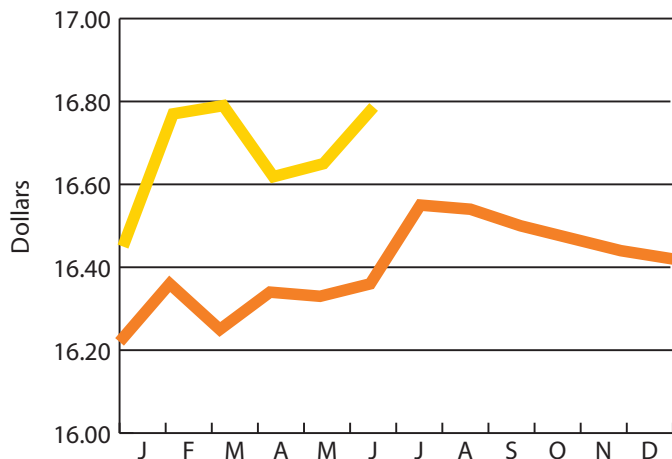
Average Weekly Hours



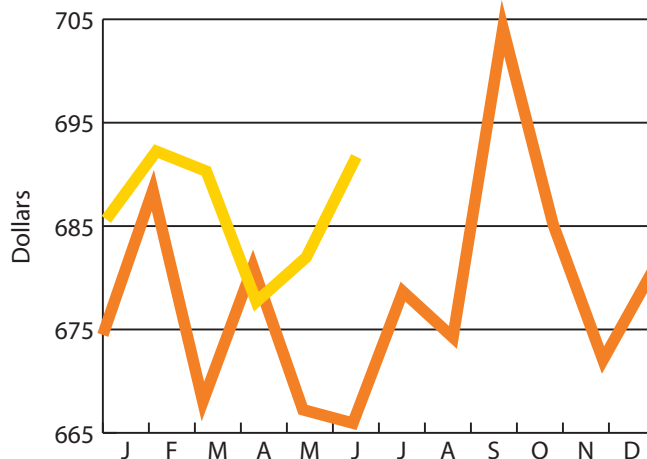
Total Production Hours



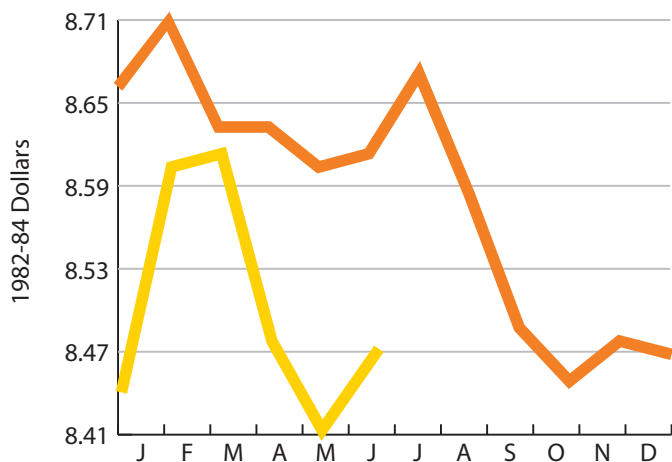
Average Hourly Earnings



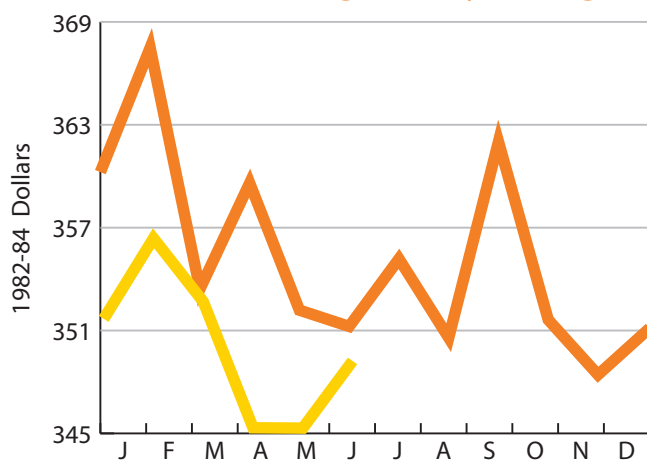
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



2005 2006

Business Indicators

January 2005 to June 2006

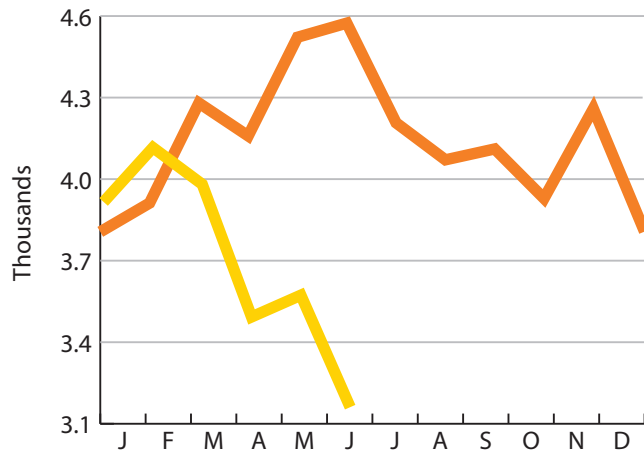
	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,273	3,806	1,416	1,652	41,683	47,807
February	3,371	3,912	2,023	1,844	35,224	45,757
March	4,610	4,280	2,309	1,924	49,342	46,205
April	4,702	4,159	1,886	1,711	50,892	46,651
May	5,030	4,522	1,831	1,744	51,113	46,344
June	5,300	4,574	1,718	1,647	51,400	44,692
July	4,456	4,207	1,612	1,637	50,320	45,469
August	4,495	4,071	1,852	2,019	61,923	55,338
September	3,986	4,111	1,648	1,676	50,986	46,512
October	3,890	3,929	1,516	1,559	45,636	45,050
November	3,472	4,259	1,329	1,625	32,194	40,809
December	3,282	3,807	1,653	1,687	33,105	40,323
2006						
January	3,368	3,916	1,715	2,001	42,165	48,360
February	3,546	4,116	1,762	1,606	36,957	48,009
March	4,287	3,981	2,185	1,821	48,908	45,798
April	3,950	3,494	1,452	1,317	46,085	42,245
May	3,975	3,574	1,891	1,802	52,423	47,532
June	3,663	3,162	1,807	1,733	51,645	44,905

Business Indicators (Continued)

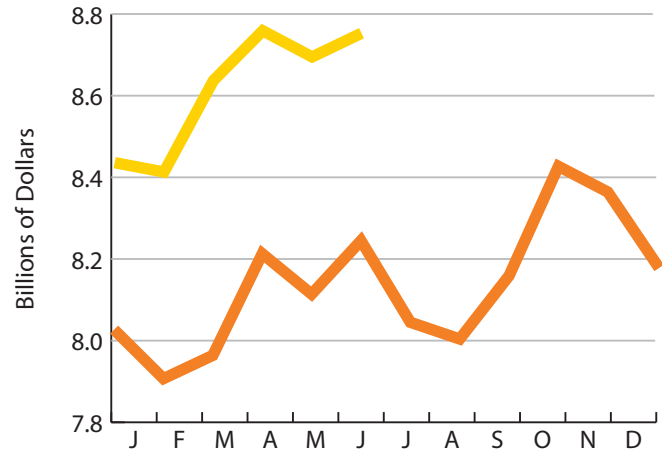
January 2005 to June 2006

	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted
January	6,834	8,027	3,668	4,289
February	6,950	7,907	3,711	4,216
March	8,001	7,964	4,242	4,233
April	8,050	8,213	4,232	4,333
May	8,060	8,114	4,242	4,279
June	8,652	8,245	4,551	4,343
July	8,095	8,045	4,238	4,210
August	7,805	8,004	4,063	4,170
September	8,240	8,159	4,226	4,201
October	8,541	8,427	4,376	4,330
November	8,072	8,364	4,174	4,317
December	10,392	8,178	5,398	4,217
2006				
January	7,182	8,436	3,702	4,328
February	7,395	8,413	3,808	4,326
March	8,677	8,637	4,443	4,433
April	8,586	8,759	4,354	4,458
May	8,638	8,695	4,358	4,396
June	9,185	8,753	4,625	4,413

Single Family Housing Permits



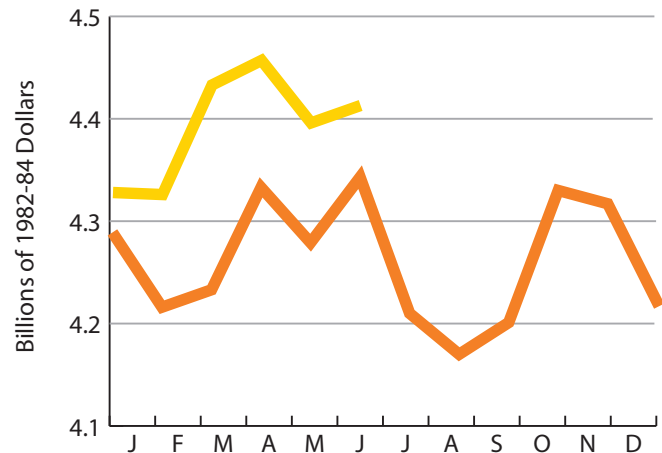
Taxable Retail Sales



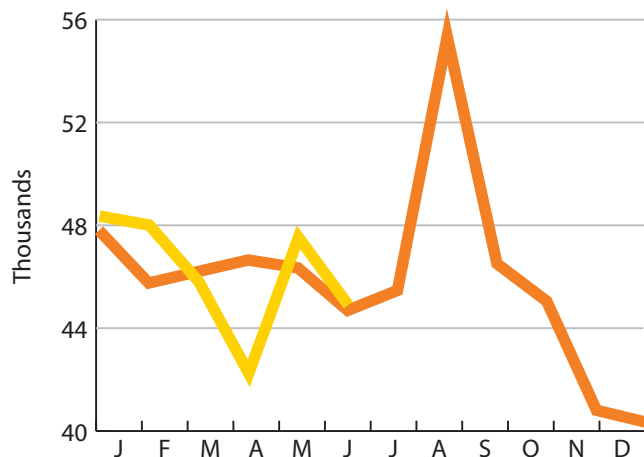
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



2005 2006

DATA SUMMARY

April 2006 (SEASONALLY ADJUSTED DATA)

	April 2006	March 2006	April 2005	Percent & Direction of Change**	
				March '06 - April '06	April '05 - April '06
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,723.4	3,721.3	3,657.1	0.1 (0)	1.8 (+)
*Manufacturing Employment (000)	298.6	297.0	297.7	0.5 (+)	0.3 (0)
*Total Unemployment Rate (%)	3.3	3.1	3.5	(-)	(+)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	4,432	4,899	5,140	-9.5 (+)	-13.8 (+)
Insured Unemployment Rate (%)	0.86	0.79	0.91	(-)	(+)
Final Payments	2,757	2,746	3,131	0.4 (0)	-12.0 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.9	41.0	41.9	-0.1 (0)	-2.2 (-)
*Total Production Hours (000)	9,483	9,456	9,560	0.3 (0)	-0.8 (-)
*Average Hourly Earnings (\$)	16.62	16.79	16.34	-1.0 (-)	1.7 (+)
*Average Weekly Earnings (\$)	677.68	690.31	681.08	-1.8 (-)	-0.5 (-)
BUSINESS					
Single Family Housing Permits	3,494	3,981	4,159	-12.2 (-)	-16.0 (-)
New Business Incorporations	1,317	1,821	1,711	-27.7 (-)	-23.0 (-)
New Vehicle Registrations	42,245	45,798	46,651	-7.8 (-)	-9.4 (-)
Taxable Retail Sales (\$M)	8,759	8,637	8,213	1.4 (+)	6.7 (+)

DATA SUMMARY

May 2006 (SEASONALLY ADJUSTED DATA)

	May 2006	April 2006	May 2005	Percent & Direction of Change**	
				April '06 - May '06	May '05 - May '06
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,720.3	3,723.4	3,656.6	-0.1 (0)	1.7 (+)
*Manufacturing Employment (000)	299.0	298.6	297.5	0.1 (0)	0.5 (+)
*Total Unemployment Rate (%)	3.0	3.3	3.5	(+)	(+)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,035	4,432	5,215	13.6 (-)	-3.5 (+)
Insured Unemployment Rate (%)	0.87	0.86	0.98	(-)	(+)
Final Payments	3,461	2,757	3,224	25.5 (-)	7.3 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.1	40.9	41.0	0.3 (0)	0.2 (0)
*Total Production Hours (000)	9,548	9,483	9,405	0.7 (+)	1.5 (+)
*Average Hourly Earnings (\$)	16.65	16.62	16.33	0.2 (0)	2.0 (+)
*Average Weekly Earnings (\$)	681.99	677.68	667.24	0.6 (+)	2.2 (+)
BUSINESS					
Single Family Housing Permits	3,574	3,494	4,522	2.3 (+)	-21.0 (-)
New Business Incorporations	1,802	1,317	1,744	36.8 (+)	3.3 (+)
New Vehicle Registrations	47,532	42,245	46,344	12.5 (+)	2.6 (+)
Taxable Retail Sales (\$M)	8,695	8,759	8,114	-0.7 (-)	7.2 (+)

DATA SUMMARY

June 2006 (SEASONALLY ADJUSTED DATA)

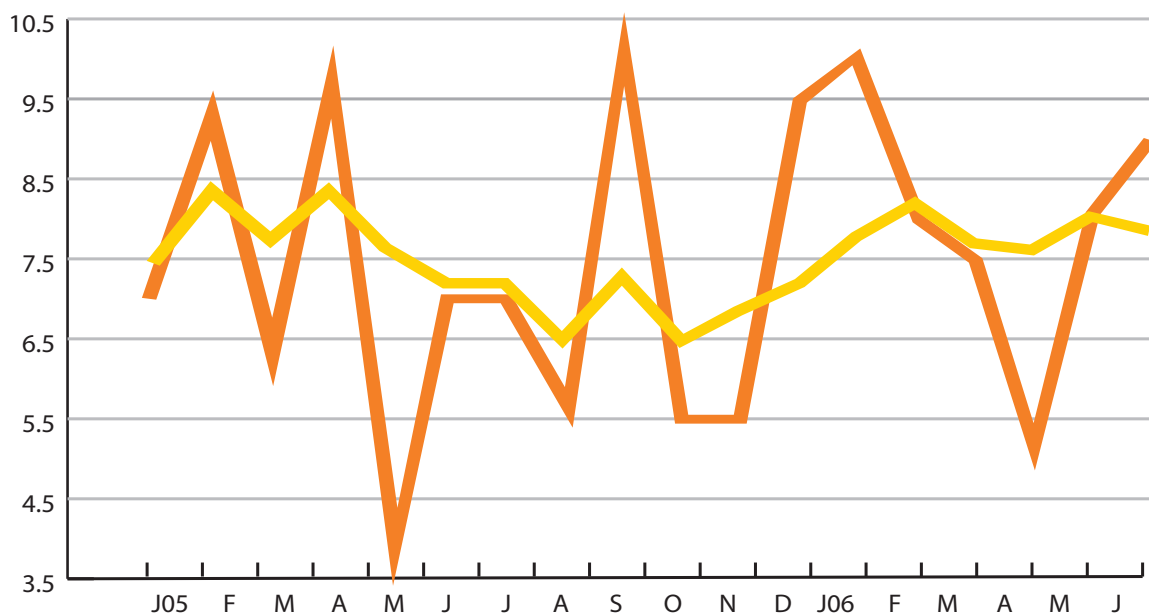
	June 2006	May 2006	June 2005	Percent & Direction of Change**	
				May '06 - June '06	June '05 - June '06
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,723.0	3,720.3	3,660.8	0.1 (0)	1.7 (+)
*Manufacturing Employment (000)	297.6	299.0	296.6	-0.5 (0)	0.3 (0)
*Total Unemployment Rate (%)	3.1	3.0	3.6	(-)	(+)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	4,545	5,035	5,011	-9.7 (+)	-9.3 (+)
Insured Unemployment Rate (%)	0.80	0.87	0.89	(+)	(+)
Final Payments	2,617	3,461	3,546	-24.4 (+)	-26.2 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.4	41.1	40.9	0.8 (+)	1.2 (+)
*Total Production Hours (000)	9,598	9,548	9,369	0.5 (+)	2.4 (+)
*Average Hourly Earnings (\$)	16.79	16.65	16.36	0.8 (+)	2.6 (+)
*Average Weekly Earnings (\$)	691.72	681.99	665.94	1.4 (+)	3.9 (+)
BUSINESS					
Single Family Housing Permits	3,162	3,574	4,574	-11.5 (-)	-30.9 (-)
New Business Incorporations	1,733	1,802	1,647	-3.8 (-)	5.2 (+)
New Vehicle Registrations	44,905	47,532	44,692	-5.5 (-)	0.5 (0)
Taxable Retail Sales (\$M)	8,753	8,695	8,245	0.7 (+)	6.2 (+)

* Revised to 1st Quarter 2005 benchmarks.

** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged



Monthly Total 6-Month Moving Average



Trends in Defense Employment

1995 - 2005

James P. Wilson
Senior Economist

Editor's Note:

This issue's featured article, "Trends in Defense Employment 1995 - 2005," provides information as furnished by the U.S. Department of Defense (DoD) on military and civilian employment in Virginia, an important segment of the economies of our three major metropolitan areas—Northern Virginia, Virginia Beach-Norfolk-Newport News, Virginia/North Carolina, and Richmond. This information on defense employment is made available by DoD in the following summer after the federal fiscal year ends on September 30. We publish this data in the first issue of *Virginia Economic Indicators* after the data becomes available.

Virginia continues as one of the leading states in total Department of Defense (DoD) employment¹. In federal Fiscal Year (FY) 2005, Virginia employed 11.6 percent of all military and civilian DoD employees in the nation, remaining number two behind California's 11.7 percent. Virginia employed the largest percentage of civilian personnel, 12.5 percent, surpassing California's 8.8 percent. With the inclusion of military personnel afloat, Virginia employed 11.0 percent of all military DoD employees, ranking it second behind California, but ahead of Texas and North Carolina. (See Tables 1-3 below.)

Top Ten States for Defense Employment

Federal Fiscal Year 2005

Table 1
Total Defense Employment

California	11.7%
Virginia	11.6%
Texas	8.4%
North Carolina	6.7%
Georgia	5.7%
Florida	4.8%
Washington	4.0%
Maryland	3.4%
Hawaii	3.3%
Kentucky	2.7%
Top 10 Total	62.3%

Table 2
Civilian Defense Employment

Virginia	12.5%
California	8.8%
Texas	6.4%
Georgia	5.0%
Maryland	4.8%
Florida	4.2%
Pennsylvania	4.0%
Washington	3.8%
Alabama	3.4%
Oklahoma	3.4%
Top 10 Total	56.3%

Table 3
Military Employment

California	13.3%
Virginia	11.0%
Texas	9.6%
North Carolina	8.9%
Georgia	6.1%
Florida	5.1%
Washington	4.1%
Hawaii	3.7%
Kentucky	3.4%
South Carolina	3.2%
Top 10 Total	68.5%

Like the nation, total DoD employment in Virginia had risen as a result of the war in Iraq and Afghanistan, but both Virginia and national DoD employment fell in FY 2005 (See Figure 1, this page). For the second straight year, total DoD employment declined. At -2.9 percent, Virginia's decline was much worse than the national rate of -0.5 percent. Over 60 percent of the net national decrease occurred in Virginia. All three branches of the military fell in Virginia, with the Navy having the largest numerical decline and the Air Force the largest percentage decline.



¹As reported by the DoD Washington Headquarters Services Directorate for Information, Operations, and Reports (DIOR). Includes only full-time, permanently assigned military and civilian personnel and excludes part-time, temporary, and transitional personnel, and National Guard and military reserves. Personnel on military vessels home-ported in the state (in Virginia, about 42,000) are included in Tables 1, 3, and 4, but, for historical comparisons, are excluded from the graphs.

Figure 1
Change in DoD Employment
Virginia vs. U.S.

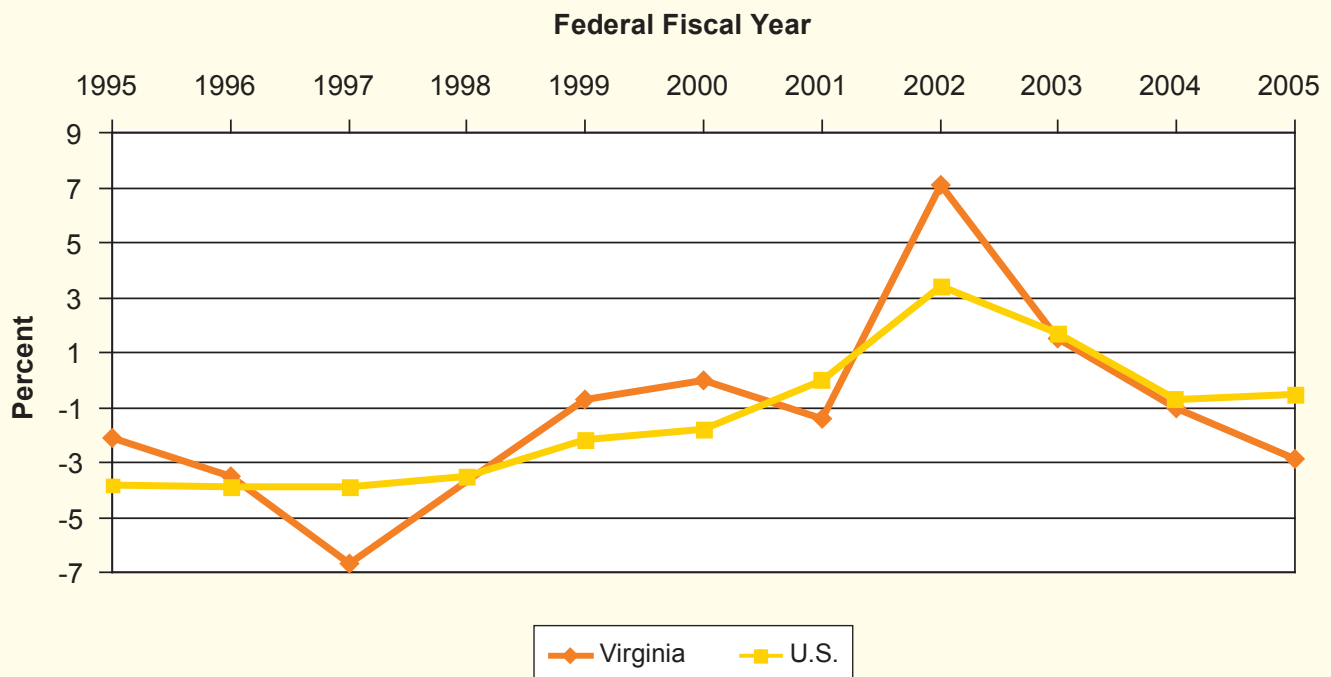
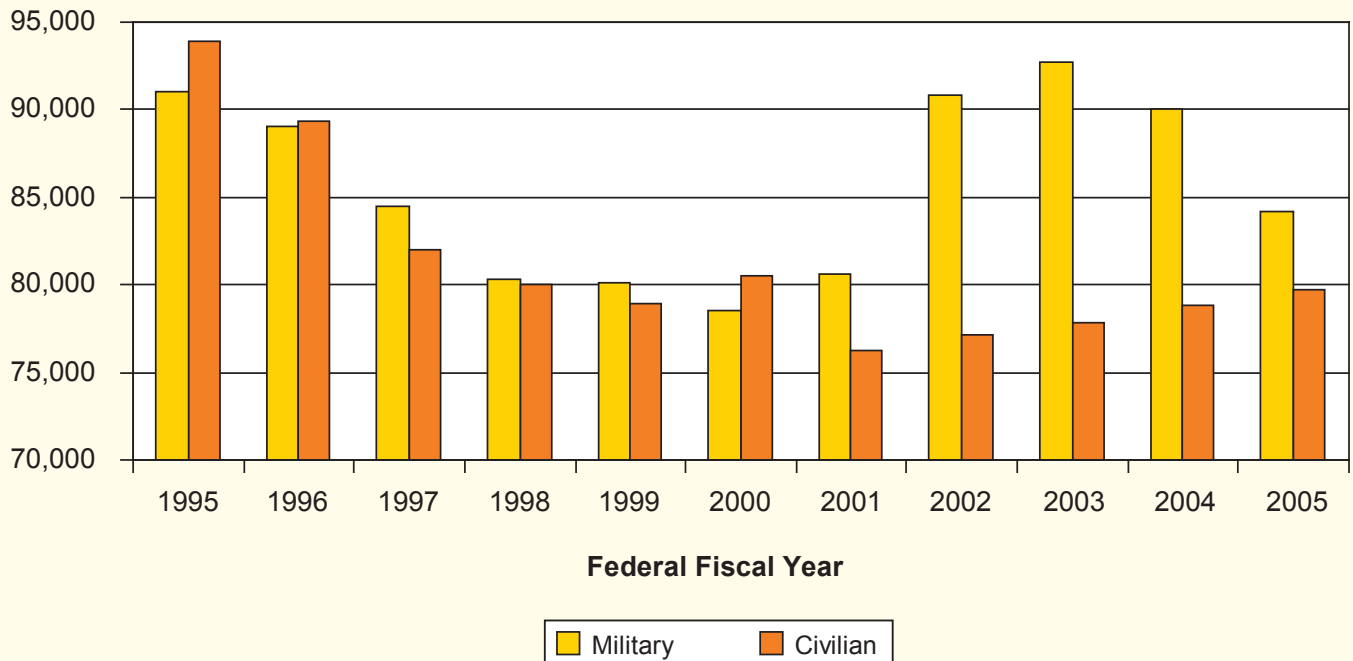
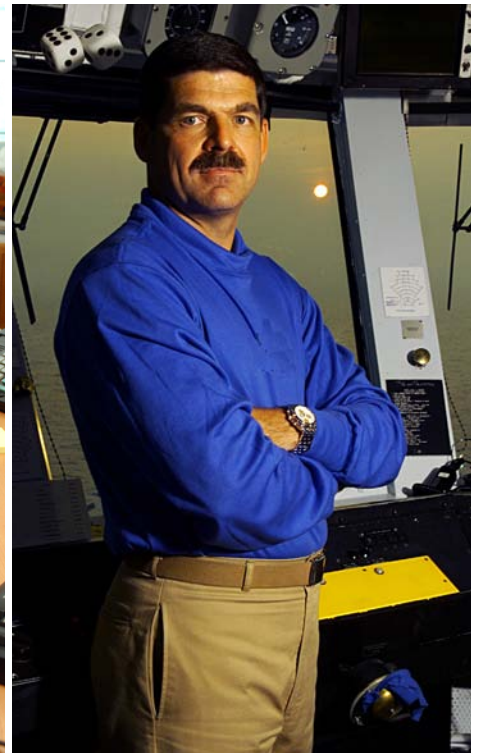


Figure 2
Military vs. Civilian Employment in Virginia



In FY 2005, DoD civilian employment increased while military employment in Virginia decreased (See Figure 2). The 1.2 percent increase in FY 2005 DoD civilian employment was the same as FY 2004, but much smaller than FY 2001's decline. Thus, DoD civilian employment is still below the FY 2000 level. DoD military employment decreased significantly for the second straight year (6.5 percent), putting it about half way between the FY 2001 and FY 2002 levels, or the same level as FY 1997, which was the middle of a five-year decline.



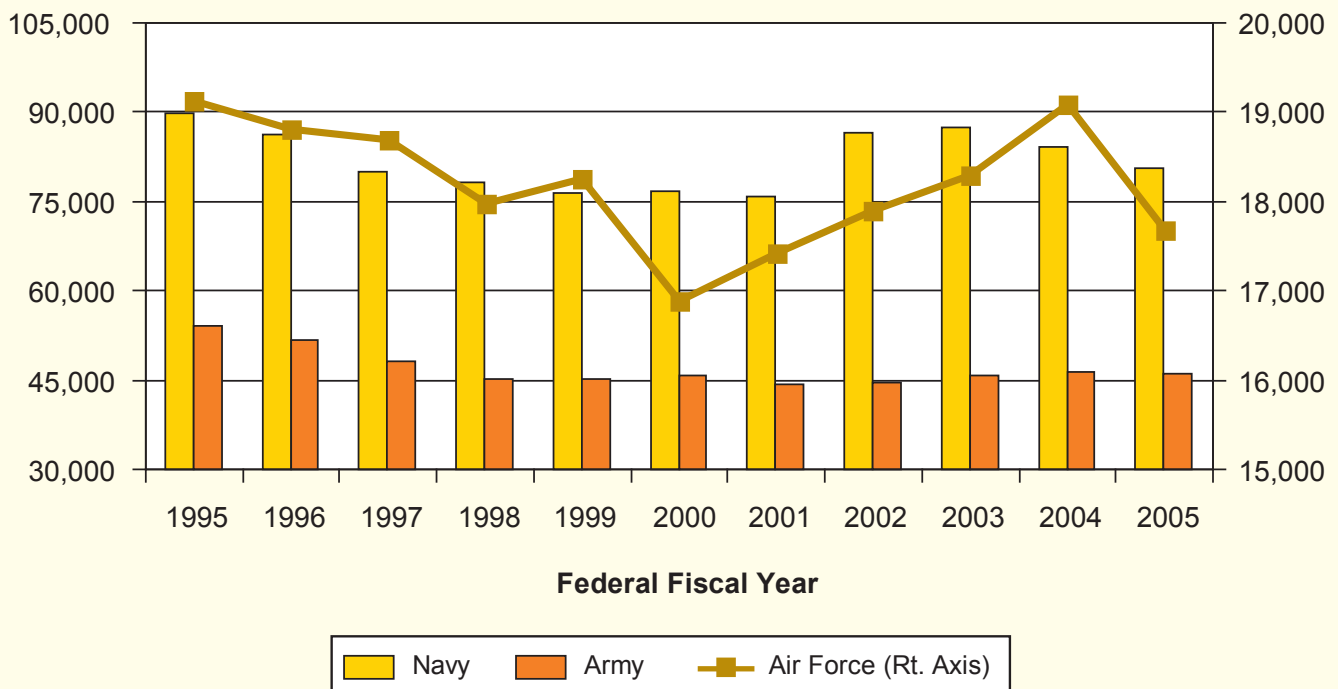
The Navy is the largest service branch in Virginia, accounting for just under half of total DoD employment (See Figure 3). Excluding the shipboard personnel, Navy employment decreased 4.0 percent in FY 2005, with half the loss in Arlington being offset by an increase at Quantico. Navy employment remains lower than its FY 2002 level. Army employment accounts for about 28 percent of total DoD employment. While Army employment declined over the FY 1995-2005 period, the path was uneven. In FY 2005, Army employment fell 0.4 percent, but it remains below FY 1997's level. Air Force employment accounts for about 11 percent of total DoD employment. All but a few hundred of the Air Force employment is in

Hampton Roads and Northern Virginia, with over 57 percent in Langley AFB. Air Force employment fell 7.4 percent in FY 2005 and is at its lowest level since FY 2001.



Figure 3

DoD Employment in Virginia by Service Branch





The combined areas of Hampton Roads and Northern Virginia account for about 87 percent of Virginia's total DoD employment. With net losses of about 4,400, Hampton Roads' share of employment decreased to less than 50 percent for the first time since FY 2000. Northern Virginia's net loss of more than 900 cancelled last year's gain, but its share of employment increased to 37.5 percent. (Table 4 on page 23 shows Department of Defense Military and Civilian Employment by Service Branch, Region, and Locality/Installation.)

In the Hampton Roads area, the Navy is the predominant employer, with the largest concentration of naval employment in Norfolk and Virginia Beach. Again excluding the shipboard personnel, DoD employment in Hampton Roads fell 5.2 percent in FY 2005, the same as last year's decrease. In Northern Virginia, Army employment stayed at almost 40 percent of the area's DoD employment, while decreases in the Navy were not enough to change its share to just under 27 percent. Over 96 percent of Northern Virginia's Navy

employment is located in Quantico and Arlington, while 98 percent of Army employment is spread among Alexandria, Arlington, Fort Belvoir, and Fort Myer. DoD employment in Northern Virginia fell 1.5 percent in FY 2005, with a large decrease (across all services) in Arlington being offset by increases at Alexandria, Fort Belvoir, Quantico, and Falls Church.



Table 4

2005 Department of Defense Employment – Military and Civilian by Service Branch, Region, and Locality/Installation

Virginia	Total Defense					Military Personnel					Civilian Personnel				
	Total 205,971	Army 46,106	Navy ⁽¹⁾⁽²⁾ 122,629	Air Force 17,672	Other ⁽³⁾ 19,564	Total 126,205	Army 24,789	Navy ⁽¹⁾⁽²⁾ 88,413	Air Force 13,003	Total 79,766	Army 21,317	Navy ⁽¹⁾ 34,216	Air Force 4,669	Other ⁽³⁾ 19,564	
Hampton Roads	122,785	9,961	100,560	10,591	1,673	90,865	6,890	75,243	8,732	31,920	3,071	25,317	1,859	1,673	
Chesapeake	633	1	630	2	-	493	-	491	2	140	1	139	-	-	
Ft. Eustis	7,644	7,499	15	3	127	5,016	5,004	12	-	2,628	2,495	3	3	127	
Ft. Story	820	762	58	-	-	755	697	58	-	65	65	-	-	-	
Hampton	1,028	959	3	4	62	881	877	2	2	147	82	1	2	62	
Langley AFB	10,451	36	5	10,267	143	8,469	13	3	8,453	1,982	23	2	1,814	143	
Newport News	485	6	434	6	39	102	-	97	5	383	6	337	1	39	
Norfolk	55,210	614	53,492	239	865	46,757	254	46,301	202	8,453	360	7,191	37	865	
Portsmouth	13,303	26	13,188	12	77	3,260	1	3,247	12	10,043	25	9,941	-	77	
Suffolk	352	17	287	47	1	79	12	20	47	273	5	267	-	1	
Virginia Beach	27,210	6	26,848	5	351	20,097	-	20,094	3	7,113	6	6,754	2	351	
Williamsburg	158	9	146	3	-	80	6	71	3	78	3	75	-	-	
Yorktown	5,491	26	5,454	3	8	4,876	26	4,847	3	615	-	607	-	8	
Northern Virginia	61,519	24,913	16,391	6,542	13,673	27,943	12,077	11,776	4,090	33,576	12,836	4,615	2,452	13,673	
Alexandria	9,171	8,349	153	118	551	5,528	5,335	113	80	3,643	3,014	40	38	551	
Arlington	24,927	6,612	5,687	5,597	7,031	9,485	2,538	3,581	3,366	15,442	4,074	2,106	2,231	7,031	
Chantilly	219	-	191	-	28	154	-	154	-	65	-	37	-	28	
Fairfax	247	9	3	205	30	214	6	3	205	33	3	-	-	30	
Falls Church	2,483	421	36	167	1,859	272	121	11	140	2,211	300	25	27	1,859	
Ft. Belvoir	10,486	7,107	152	316	2,911	2,674	2,280	139	255	7,812	4,827	13	61	2,911	
Ft. Myer	2,398	2,290	-	-	108	1,782	1,782	-	-	616	508	-	-	108	
Manassas	191	2	7	2	180	5	2	1	2	186	-	6	-	180	
Quantico	10,403	11	10,048	27	317	7,808	8	7,773	27	2,595	3	2,275	-	317	
Rosslyn	411	72	1	109	229	14	-	-	14	397	72	1	95	229	
Springfield	451	26	-	-	425	-	-	-	-	451	26	-	-	425	
Woodbridge	132	14	113	1	4	7	5	1	1	125	9	112	-	4	
Richmond	11,532	7,207	452	275	3,598	5,838	5,348	435	55	5,694	1,859	17	220	3,598	
Ft. Lee	7,853	6,821	187	24	821	5,393	5,186	183	24	2,460	1,635	4	-	821	
Richmond	3,367	285	265	40	2,777	445	162	252	31	2,922	123	13	9	2,777	
Sandston	312	101	-	211	-	-	-	-	-	312	101	-	211	-	
Remainder of State	10,135	4,025	5,226	264	620	1,559	474	959	126	8,576	3,551	4,267	138	620	
Charlottesville	917	842	42	28	5	279	210	41	28	638	632	1	-	5	
Dahlgren	4,655	-	4,510	85	60	759	-	726	33	3,896	-	3,784	52	60	
Radford	103	99	-	-	4	3	3	-	-	100	96	-	-	4	
Wallops Flight Center	136	-	136	-	-	86	-	86	-	50	-	50	-	-	
Winchester	316	313	-	3	-	6	3	-	3	310	310	-	-	-	
Other	4,008	2,771	538	148	551	426	258	106	62	3,582	2,513	432	86	551	

(1) Includes Marine Corps personnel.

(2) Includes military personnel afloat.

(3) The other category with the civilian sector consists of all DoD personnel not classified as Army, Navy/Marine Corps, or Air Force.

Source: DoD Distribution of Personnel by State and by Selected Locations, Washington Headquarters Services Directorate for Information, Operations and Reports (DIOR).

Historical Summary

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:	Average Weekly Initial Claims
Single Family Housing Permits	Deflated Average Hourly Earnings
Virginia Department of Motor Vehicles:	Deflated Average Weekly Earnings
New Vehicle Registrations	Insured Unemployment Rate
Virginia Department of Taxation:	Manufacturing Employment
Deflated Taxable Retail Sales	Nonagricultural Wage and Salary Employment
Taxable Retail Sales	Total Production Hours
Virginia Employment Commission:	Total Unemployment Rate
Average Hourly Earnings	Unemployment Insurance Final Payments
Average Weekly Earnings	Virginia State Corporation Commission:
Average Weekly Hours	New Business Incorporations

Virginia Economic Indicators-Vol. 38, No.2
Economic Information Services Division
Virginia Employment Commission
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